UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

In The Matter of: Paley, Rothman, Goldstein, Rosenberg & Cooper, Chartered, and Mark S. Goldstein, Outside Counsel to American Federal Savings Bank, Rockville, Maryland, Respondents.	Order No. ATL-95-02 Date: March 9, 1995

STIPULATION AND CONSENT TO ISSUANCE OF CONSENT CEASE AND DESIST ORDER FOR AFFIRMATIVE RELIEF

This Stipulation and Consent to Issuance of Consent Cease and Desist Order for Affirmative Relief ("Stipulation") is made by Paley, Rothman, Goldstein, Rosenberg & Cooper, Chartered ("Paley, Rothman"), outside counsel to American Federal Savings Bank, Rockville, Maryland, OTS Docket Number 8149 ("American Federal"), and Mark S. Goldstein ("Goldstein"), a senior principal of Paley, Rothman, and is accepted by the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, acting by and through its Acting Regional Director for the Southeast Region.

WHEREAS, the OTS, based upon information derived from the exercise of its regulatory responsibilities, has informed Paley, Rothman and Goldstein that the OTS is of the opinion that grounds exist to initiate administrative proceedings against Paley, Rothman and Goldstein for the issuance of administrative orders, pu.

1818(b)[1];

WHEREAS, Paley, Rothman and Goldstein desire to cooperate with t.

to avoid the time and expense of such administrative litigation with the OTS.

WHEREAS , Paley, Rothman and Goldstein, neither admit nor deny tha aforesaid grounds exist and do not admit or deny the OTS's allegations, findings conclusions, except those as to Jurisdiction, set forth in paragraph 2 below, which are admitted.

NOW, THEREFORE, the parties hereby set forth the following:

1. Consent. Paley, Rothman and Goldstein consent to the issuance by the OTS of the Order in consideration of the settlement, compromise and resolution of all potential administrative claims and charges that have been or might be asserted by the OTS against Paley, Rothman, its officers, shareholders, employees or agents, and Goldstein, arising out of respondents' representation of American Federal through the date of the order.

2. Jurisdiction.

a. American Federal is and at all material times has been a "savings association" within the meaning of Section 3(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. 1813(b), and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C.

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1 All references to the U.S.C. are as amended.

1462(4), and an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. 1813(c).

b. Until August 9, 1989, the accounts of American Federal were insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") pursuant to Section 403(b) of the National Housing Act ("NHA"), 12 U.S.C. 1726(b), by reason of which American Federal was an "insured institution" within the meaning of the NHA.

c. As of August 9, 1989, pursuant to the provisions of FIRREA, the insurance of the accounts of American Federal was transferred to the Federal Deposit Insurance Corporation ("FDIC").

d. Until August 9, 1989, the Federal Home Loan Bank Board ("FHLBB"), as operating head of the FSLIC, was the regulatory agency with jurisdiction over American Federal and its officials pursuant to Sections 403 and 407 of the NHA, 12 U.S.C. 1726, 1730.

e. As of August 9, 1989, pursuant to 12 U.S.C. 1813(q), the OTS succeeded to the interests of the FSLIC with respect to the supervision and regulation of all savings associations, and thus became the "appropriate Federal banking agency" with jurisdiction over American Federal, and all of its "institution-affiliated parties" and/or all "person(s) participating in the conduct of the affairs" of such institution.

f. Paley, Rothman and Goldstein provided legal representation to American Federal during the time period of June 1985 through the present. Paley, Rothman and Goldstein are "institution-affiliated parties" of American Federal as the term is defined in 12 U.S.C. 1813(u)(3), and are "persons participating in the conduct of the affairs" of American Federal under 12 U.S.C. 1730(e)(1986), but only for purposes of the above-captioned proceeding. As such, Paley, Rothman is subject to the OTS's authority to maintain a cease and desist order for affirmative relief.

g. Pursuant to Section 3(q) of the FDIA, as amended by Section 204 of FIRREA, 12 U.S.C. 1813(q), the OTS is the "appropriate Federal banking agency" with jurisdiction over American Federal, its institution-affiliated parties and persons participating in the conduct of its affairs.

3. Findings of Fact.

Based on the exercise of its regulatory responsibilities, and solely for purposes of this Stipulation and for the related Consent Cease and Desist Order for Affirmative Relief, the OTS concludes as follows:

a. Paley, Rothman and Goldstein have provided legal representation and advice to American Federal with respect to the structuring of loans, loan workouts, loan foreclosures and collections and general corporate law since at least 1985.

b. Mark S. Goldstein, a senior principal in Paley, Rothman, has served on the Board of Directors of American Federal since at least 1985, including serving as Secretary to the Board, and has provided legal representation to American Federal during this period.

c. On or about June 21, 1989, the Board of Directors of American approved the grant of a $7.15 million ADC loan to Cedar Crest Country Club, Inc. ("Cedar Crest"), a Virginia corporation whose principal assets were a golf course, a country club and undeveloped land in Virginia. This loan was a consolidation of nine existing loans to another borrower, Eugene Hooper, that were delinquent or troubled loans.

d. On or about June 21, 1989, nineteen individuals placed an additional $6.5 million in junior secured loans to Cedar Crest. Several members of the Board of Directors of American Federal held such second trust notes, including Harry Leavy ($1,000,000), Marvin Sugar ($500,000), Sheldon Blitz ($300,000), William Kaplan ($150,000), and Samuel Lehrman ($750,000).

e. The Cedar Crest loan made by American Federal became delinquent.

f. At a meeting of the Board of Directors on December 19, 1990, Mr. Leavy recommended, and the Board of Directors (including Goldstein) approved, a restructuring of the loan by which the interest rate was lowered from 14 percent to 11 percent effective September 1, 1990, with the remaining 3 percent to accrue until September 1, 1992, at which time the interest rate would revert to 14 percent and the deferred interest would be due and payable.

g. None of the members of the Board of Directors who were then second trust noteholders altered the terms of his second trust notes to Cedar Crest.

h. At a meeting of the Board of Directors on March 9, 1994, Goldstein, as legal counsel to American Federal, outlined in detail the current status of the Cedar Crest loan. Goldstein and Paley, Rothman, as legal counsel, negotiated a proposed settlement agreement in February 1994 with the second trust noteholders which enabled American Federal to acquire legal title to the Cedar Crest property, provided that American Federal would give the second trust noteholders a $5,000,000 non-recourse loan on the country club property, but not the undeveloped land, as well as other benefits. In addition, American Federal would agree to give the second trust noteholders a $500,000 senior mortgage lien on the undeveloped land. In order to avoid the possibility of litigation, Mr. Goldstein recommended, and the Board of Directors approved this settlement agreement, rather than having the institution undertake immediate foreclosure action on the note, to the detriment of the second trust noteholders, which action would have adversely affected the second trust noteholders.

i. Paley, Rothman, received more than $75,000 in fees from American Federal for legal representation in connection with the Cedar Crest loan and the Hooper bankruptcy proceedings. As a principal in Paley, Rothman, Goldstein indirectly benefited from such fees.

j. By allowing the interests of the second trust noteholders to take the precedence over the interests of their client, American Federal, Paley, Rothman and Goldstein failed to recognize a conflict of interest resulting in an unsafe and unsound practice.

k. As a result of the above-described practice, American Federal has incurred losses on the Cedar Crest loan, and has established loan reserves against possible future losses.

4. Finality. The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. 1818(b). Upon its issuance by the OTS, it shall be a final order, effective and fully

enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. 1818(i).

5. Waivers.

a. Respondents waive their right to an administrative hearing provided by Section 8(b)(1) of the FDIA, 12 U.S.C. 1818(b)(1);

b. Respondents waive any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. 1818(h), or otherwise to challenge the validity of the Order; and

c. Respondents waive any and all claims for the award of fees, costs or expenses relating to this OTS enforcement matter and/or the Order, including any claims under the Equal Access to Justice Act, 5 U.S.C. 504 and 28 U.S.C. 2412.

6. Other Governmental Actions Not Affected.

a. Respondents acknowledge and agree that the consent to entry of the Order is for the purpose of resolving this OTS administrative matter only, and does not release, compromise, settle, dismiss, resolve, affect, preclude or in any way affect any other actions, charges against, or liability of Paley, Rothman or of Goldstein or any other administrative, civil or criminal proceeding which may be or has been brought against Paley, Rothman or Goldstein by the OTS or any other governmental agency.

b. By signing this Stipulation, Paley, Rothman agrees that it will not assert the payment of any monies as contemplated by the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

7. Payment Procedures. Paley, Rothman agrees to pay, as guarantee against losses that have occurred, the amount set forth in the Order by providing a bank draft in the amount of $800,000 to American Federal within thirty (30) days of the Order, according to the procedures set forth in the Order.

8. Miscellaneous.

a. The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America.

b. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS' predecessors, successors and assigns.

c. The section and paragraph headings in this Stipulation and in the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation and Order.

d. This Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters set forth in paragraph 3 above, and constitute the sole agreement of the parties with respect to such subject matters.

WHEREFORE, Paley, Rothman and Goldstein execute this Stipulation intended to be legally bound thereby.

Accepted by:

Victor Rosenberg, Pres.

Paley, Rothman, Goldstein,
Rosenberg & Cooper, Chartered

Dated: 2/27/95

Richard M. Riccobono

Richard M. Riccobono
Acting Regional Director

Dated: March 9, 1995

Mark S. Goldstein

Mark S. Goldstein

Dated: Feb 27, 1995

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UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

In The Matter of: Paley, Rothman, Goldstein, Rosenberg & Cooper, Chartered, and Mark S. Goldstein, Outside Counsel to American Federal Savings Bank, Rockville, Maryland, Respondents.	Order No. ATL - 95 - 02 Date: March 9, 1995

CONSENT CEASE AND DESIST ORDER FOR AFFIRMATIVE RELIEF

WHEREAS, Paley, Rothman, Goldstein, Rosenberg & Cooper, Chartered ("Paley, Rothman"), outside counsel to American Federal Savings Bank, Rockville, Maryland, and Mark S. Goldstein ("Goldstein"), a principal in Paley, Rothman, have executed a Stipulation and Consent to the Entry of a Consent Order to Cease and Desist ("Stipulation"); and

WHEREAS, Paley, Rothman and Goldstein in the Stipulation have consented and agreed to the issuance of this Consent Cease and Desist Order for Affirmative Relief ("Order"), pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. 1818(b)[1]; and

[1] All references to the U.S.C. are as amended.

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist on behalf of the OTS where respondents have consented to the issuance of the Order; and

WHEREAS, on the basis of the consent evidenced in the Stipulation and without any adjudication on the merits, THE OTS HEREBY ORDERS THAT:

DEFINITIONS

For purposes of this Order and the accompanying Stipulation, the following definitions shall apply:

1. The phrase the "Firm" or "Paley, Rothman" shall mean the law firm of Paley, Rothman, Goldstein, Rosenberg & Cooper, Chartered, Bethesda, Maryland.

2. "Goldstein" shall mean Mark S. Goldstein.

3. The phrase "insured depository institution" shall mean any savings and loan association, savings bank, commercial bank, credit union or other depository institution that holds federally insured deposits, any non-diversified holding company of such institution, and a diversified holding company of such institution to the extent that the services provided directly relate to a subsidiary federally insured depository institution.

4. "Knowledge" in any context as to a Firm attorney shall mean the actual knowledge of such attorney or reckless disregard by such attorney of the facts.

5. "Knowledge" in any context as to the Firm shall mean (a) knowledge of the Firm attorney in charge of the matter or, (b) the knowledge of another Firm attorney either working or not working on the matter.

6. "Knowingly" shall mean that the Firm attorney has acted voluntarily and intentionally and not because of inadvertence, ignorance, mistake or accident.

ENFORCEABILITY

7. The stipulations or statements of fact set forth in this Order and accompanying Stipulation and payment of the amount set forth in paragraph 12 of this Order do not constitute evidence of or an admission by Respondents as to any liability, fault or wrongdoing. Negotiation of the terms of this Order, including conduct and statements made in connection therewith and the Order itself, shall not be admissible in accordance with Rule 408 of the Federal Rules of Evidence. This Order may be used in any proceeding by the OTS to enforce this Order.

REPRESENTATION OF INSURED DEPOSITORY INSTITUTION CLIENTS

8. When the Firm undertakes legal representation of an insured depository institution, the Firm shall assign an attorney in charge, other than Goldstein, who is qualified to supervise matters and who has at least five (5) years experience (i) in advising insured depository institutions or (ii) other clients as to insured depository institution-related matters ("attorney in charge"). The attorney in charge shall, with respect to any insured depository institution matter involved in the engagement: (i) assign as necessary other attorneys qualified to work on the matters undertaken;

(ii) supervise the work of the attorneys assigned to such matters; and (iii) monitor the quality of such attorneys' work.

9. The Firm shall require each attorney at or prior to the time he or she is initially assigned to perform legal services covered by the terms of this Order to read a copy of this Order and acknowledge in writing that he or she has done so. Upon receipt of such acknowledgment, the Firm shall have complied with the obligation set forth in this paragraph.

CONFLICTS OF INTEREST

10. Pursuant to existing procedures, the Firm and Goldstein shall not, with knowledge, represent in the same transaction both (a) an insured depository institution and (b) any other person or entity, including another insured depository institution, with respect to a matter in which the interests of the insured depository institution and the other person or entity are adverse unless: (i) each such client (if a corporate entity by an appropriate officer who has no conflicting duty to the other party) consents to such representation in such matter after full disclosure concerning the nature of any such conflict in that matter, which disclosure and consent shall be approximately documented by the Firm (or by Goldstein, if Goldstein separately represents such client); and (ii) such representation is permitted by applicable standards of professional conduct.

11. During the course of the Firm's representation of an insured depository institution, the Firm shall retain all documentation and files concerning all conflict checks procedures pertaining to new or proposed matters to be performed by the Firm consistent with the Firm's record retention policy.

DISCLOSURE TO INSURED DEPOSITORY INSTITUTION CLIENTS

12. When, to the knowledge of a Firm attorney, an employee, officer or director of an insured depository institution client regulated by the OTS has acted or threatened to act in violation of such person's fiduciary duties, the Firm attorney shall inform the attorney in charge who, if he or she concurs, shall advise such employee, officer or director (a) concerning such person's fiduciary duties to the institution's shareholders and creditors, which includes the insurance fund, and (b) that the fiduciary duties of such person include the responsibility for the safety and soundness of the insured depository institution as set forth in paragraph 13 below. Should such employee, officer or director, to the Firm's knowledge, fail to adhere to the attorney in charge's advice concerning fiduciary duties, the Firm shall cause the attorney in charge to inform a responsible executive officer of the insured depository institution of the facts and circumstances surrounding the actions or intended actions of such employee, officer or director and of the advice provided to such employee, officer or director. The Firm shall further cause the attorney in charge to advise the responsible executive officer that pursuant to his or her own fiduciary duties, he or she must (a) ascertain whether a breach of fiduciary duty is threatened or has occurred, and (b) in the event that a breach of fiduciary duty is threatened or has occurred, take action to correct or

nullify the actions constituting the threatened or actual breach of fiduciary duty and remedy any harm to the insured depository institution caused by those actions. If the responsible executive officer, to the Firm's knowledge, fails to act pursuant to the attorney in charge's advice, if warranted by the seriousness of the matter, the Firm shall cause the attorney in charge to take the same steps with respect to such insured depository institution's Board of Directors as it was required to take with respect to such responsible executive officer. If the Board of Directors, to the Firm's knowledge, fails to act pursuant to the attorney in charge's advice, the Firm shall consider whether the applicable ethical rules require the Firm's resignation from the engagement or some other action and shall act in accordance with such ethical rules and shall document its decision. Provided, however, that if, during the course of satisfying its obligations under this paragraph, the Firm is terminated by the client or if the Firm resigns, consistent with applicable ethical rules, the Firm has no further obligations under this paragraph with respect to such client.

13. When advising any person concerning his or her responsibility for the safety and soundness of an insured depository institution, the Firm and Goldstein shall advise that person that the OTS has determined that an unsafe or unsound practice embraces, among other things, any action, or lack of action, which is contrary to generally accepted standards of prudent operation, the possible consequences of which, if continued, would be an unacceptable risk of loss or damage to an institution, its shareholders, or its creditors (which in the view of the OTS includes the insurance

fund). The foregoing shall not preclude the Firm from supplementing such advice in any manner consistent with applicable law and regulation.

MISCELLANEOUS

14. Upon entry of this Order, Goldstein shall not serve as a member of American Federal's Board of Directors in the future without the prior written consent of the OTS. During the term of this Order, Goldstein shall not serve as a member of the Board of Directors of any insured depository institution without the prior written consent of the OTS.

15. The Firm shall pay American Federal Savings Bank, Rockville, Maryland, the amount of Eight Hundred Thousand and No/100 Dollars ($800,000). Payment shall be made by a bank draft delivered to the Chief Executive Officer of American Federal within thirty (30) days of the date of this Order.

16. Notice of payment to American Federal should be made by telefax to: Richard C. Stearns, Deputy Chief Counsel for Enforcement, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552, telefax number (202) 906-7005.

17. Subject to the limitations set forth in paragraph 18 below, the Firm and Goldstein shall promptly respond to any request from the OTS for the Firm's or Goldstein's documents that OTS reasonably requires to determine compliance with this Order.

18. Nothing contained herein shall require the Firm or Goldstein to take action contrary to law or to provide to the OTS information protected by an attorney-client or work product privilege unless waived by the holder of the privilege. In the

event that the Firm or Goldstein seek to withhold documents from the OTS under a claim of privilege, the Firm or Goldstein shall provide the OTS with a privilege log containing a description of each document withheld and listing the document's date, its author, the names and positions of persons to whom the document was or has been provided, the applicable privilege asserted, and such other non-privileged information as may reasonably be requested by OTS for the purpose of determining the validity of the claim of privilege. In the event the OTS determines such information does not establish the validity of the Firm's or Goldstein's claim of privilege, the Firm or Goldstein shall not be obligated to provide such documents, except pursuant to a subpoena, the validity of which the Firm or Goldstein or any other interested party may challenge, to the extent permitted by law or regulation.

19. The Firm and Goldstein shall for a period of three (3) years from the effective date of this Order comply with the terms set forth above. At the conclusion of the three-year (3) period commencing on the effective date of this Order, the Firm and Goldstein shall submit written certifications to the OTS that each of them has complied with the terms and conditions of the Order. Upon receipt of the certifications, paragraphs 8 through 13 of this Order shall be terminated as to the appropriate Respondent and the OTS shall forward written notification of this fact to the appropriate Respondent.

20. This Order shall become effective on the date of execution by the Acting Regional Director, OTS, and a copy of this Order shall be served upon the Firm and Goldstein at their business address.

Richard M. Riccobono

Richard M. Riccobono
Acting Regional Director

Date: March 9, 1995

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